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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554

In the Matter of)
)
Federal-State Joint Board on Universal Service:) CC Docket No. 96-45
Promoting Deployment and Subscribership)
in Unserved and Underserved Areas, Including)
Tribal and Insular Areas)

REPLY COMMENTS OF PUERTO RICO TELEPHONE COMPANY, INC.

Puerto Rico Telephone Company, Inc. ("PRTC"), by its attorneys, hereby replies to comments filed in response to the Further Notice of Proposed Rulemaking¹ in the above-captioned proceeding. As PRTC and other parties have demonstrated, substantial impediments to increased penetration exist in Puerto Rico and in insular areas, as a whole. Accordingly, universal service support to insular areas should be designed to meet these unique needs for increased subscribership. In addition, PRTC supports proposals to expand the Link-up program to fund line connections and/or extensions to low-income consumers.

I. INSULAR AREAS FACE UNIQUE IMPEDIMENTS TO IMPROVING PENETRATION LEVELS

Puerto Rico's low island-wide penetration level of 74.2 percent is caused by a variety of factors, including demographics, geography, climate and poverty. Penetration levels on the island tend to be significantly lower where population density is also low. In mountainous areas, the difficulties of serving sparsely populated areas are exacerbated by the prohibitive expense of

¹ Federal-State Joint Board on Universal Service: Promoting Deployment and Subscribership in Unserved and Underserved Areas, Including Tribal and Insular Areas, CC Docket No. 96-45 Further Notice of Proposed Rulemaking, FCC 99-204 (rel. Sept. 3, 1999) ("Further Notice of Proposed Rulemaking" or "Further Notice").

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providing traditional wireline service. Other factors, including the high incidence of severe hurricanes and the low average income of the island's population, further complicate achieving universal service.

The comments demonstrate that such conditions are not unique to Puerto Rico, but are characteristic of insular areas. For example, the Public Service Commission of the U.S. Virgin Islands ("VIPSC") explains that the U.S. Virgin Islands' "rugged, mountainous areas," "harsh environmental climate," and location "vulnerable to the ravages of hurricanes" increase the costs of providing service to the U.S. Virgin Islands and other insular areas.² The Government of Guam ("Guam"), the Commonwealth of the Northern Mariana Islands ("Northern Mariana") and the American Samoa Telecommunications Authority ("ASTA") concur.³

PRTC agrees with VIPSC that universal service would be promoted by providing support to carriers serving insular areas based on actual carrier costs.⁴ Such an approach is necessary until the Commission's new model methodology is capable of accounting for the fact that geographic features of insular areas are quite different from those of the mainland United States and substantially increase the costs of providing basic telephone service.⁵ In addition, the Commission has a statutory obligation to advance universal service to consumers in all regions of the Nation, including low-income consumers in insular areas.⁶ Consistent with this statutory obligation, the Joint Board has recommended that "rural carriers serving high cost insular areas .

² VIPSC Comments at 3-4.

³ Guam Comments at 3; Northern Mariana Comments at 2; ASTA Comments at 1.

⁴ VIPSC Comments at 6.

⁵ Id. at 7.

⁶ See Section 254(b)(3) of the Communications Act of 1934, as amended (the "Act"); 47 U.S.C. § 254(b)(3). See also VIPSC Comments at 2.

. . should continue to receive universal service support based on their embedded costs.”⁷ To achieve statutory universal service principles, the Commission should apply this recommendation regardless of the carrier serving the insular area.

II. THE LINK-UP PROGRAM SHOULD BE EXPANDED TO FUND CONNECTION FEES AND/OR LINE EXTENSIONS

The Link-up program should be expanded to include additional support to low-income consumers in unserved and underserved areas, including tribal and insular areas. As a large number of commenters agree, this program should fund connection fees and/or line extensions.⁸ First, low-income consumers often cannot afford the expense associated with line hook-ups. Summit supports revision of the Link-up program due to “[t]he high cost of providing the initial connection [which] may be one of the most deterring factors” to providing service to underserved areas.⁹ The Minnesota Public Utilities Commission (“MNPUC”) “agrees with the Commission that the cost of line extensions may be a deterrent to potential subscribers in assigned territory,” and that the MNPUC “is aware of individual instances where line extension charges were so high that potential subscribers declined service.”¹⁰ Motorola, Inc. (“Motorola”) and Iridium U.S., L.P. d/b/a/ North America (“Iridium”) note that “[c]urrently, universal service

⁷ Federal-State Joint Board on Universal Service, Recommended Decision, 12 FCC Rcd. 87, 308 (¶ 434) (Jt. Bd. 1996) (“Recommended Decision”) (emphasis added). See also VIPSC Comments at 7 & n.15 (citing to Recommended Decision).

⁸ See Summit Telephone and Telegraph Company of Alaska, Inc. (“Summit”) Comments at 4; Alaska Rural Coalition (“ARC”) Comments at 12; Regulatory Commission of Alaska (“RCA”) Comments at 19; National Rural Telecom Association (“NRTA”) and Organization for the Promotion and Advancement of Small Telecommunications Companies (“OPASTCO”) Comments at 8 (supporting expanded support “[w]here remoteness and extremely low density require long loops at exceptionally high cost” to permit unconnected consumers to subscribe).

⁹ Summit Comments at 4.

¹⁰ MNPUC Comments at 8.

support for line extensions is limited to \$30 and one year's worth of interest on \$200 even if the line extension to the subscriber costs thousands of dollars.¹¹ Similarly, AT&T Corp. ("AT&T") recognizes that "the existing program, which has a maximum discount of \$30, may fall far short of the costs of installation in extreme outlying areas."¹² In addition, Motorola and Iridium note that the Arizona Corporation Commission has stated that "low-income consumers are unable to afford such charges, and existing USF subsidies are inadequate."¹³

Second, the establishment of facility extensions in hard to serve areas (e.g., mountainous regions that are sparsely populated) is often prohibitively expensive. Motorola and Iridium note that the average line extension charge for a particular company in 1997 was more than \$40,000 per loop.¹⁴ Similarly, MNPUC states that "[i]n the past year, twelve complaints have been filed with the MNPUC regarding line extension charges. The quoted line extension charges ranged from \$179 to \$30,000."¹⁵ PRTC's own experience is consistent with this cost range.

While PRTC has investigated the use of wireless technologies as an approach to reaching areas for which wireline construction is particularly costly, the quality of service provided by wireless technologies frequently has been unacceptable. For example, PRTC has encountered difficulties with signal transmission due to uneven terrain. Therefore, wireline service remains a necessary technology and line extensions to low-income consumers should be funded to promote

¹¹ Motorola and Iridium Comments at 17 (citing to 47 C.F.R. §§ 54.411(a)(1) & (2)).

¹² AT&T Comments at 6-7.

¹³ Motorola and Iridium Comments at 17 & n.47 (citing to Arizona Proposal at 5). See also Further Notice at ¶ 119 (describing proposal submitted by Arizona Corporation Commission).

¹⁴ Motorola and Iridium Comments at 17 & n.46. The loop cost was provided for the Navajo Communications Company.

¹⁵ MNPUC Comments at 8.

universal service. Other parties support such funding. For example, AT&T states that “[t]he Commission should . . . expand the Link-Up program to provide additional assistance to individuals whose interconnection costs are prohibitive.”¹⁶ United Utilities, Inc. (“UUI”) submitted a proposal, supported by RCA, that the Link-up program recoup up to \$100.00 in hook-up or connection costs for qualified customers.¹⁷ These comments support revision of the Link-up program to include additional support to certain low-income consumers to fund line connections and/or extensions. Alternatively, PRTC supports use of a pilot program to evaluate the long-term effectiveness and costs of funding line connections and/or extensions.

III. CONCLUSION

The Commission should fully recognize the unique geographic impediments insular areas face by determining support to carriers serving insular areas based on such carriers’ actual costs, at least until the model methodology sufficiently accounts for these high cost factors. In

¹⁶ AT&T Comments at 1.

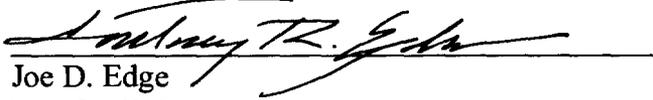
¹⁷ UUI Comments at ii & 17; RCA Comments at 19.

addition, PRTC supports expansion of the Link-up program to fund line connections and/or extensions to low-income consumers.

Respectfully submitted,

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